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OPM
The Year in Review
1981

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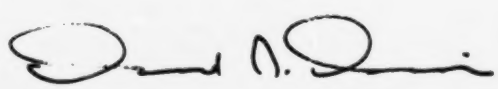
Introduction

Last year, I set six major goals for OPM. They were: increased oversight of the civil service rules, strengthen fiduciary responsibilities over the trust funds, give performance appraisal the top priority for management improvement and productivity gains, increase reliance on incentive systems, address the pay issue, and guarantee employees willing to make needed difficult decisions that they will be protected from personal lawsuits for alleged violation of Constitutional rights. On the pages which follow, you will find a discussion of how we approached these goals.

In years past, the Office of Personnel Management was in the habit of issuing Annual Reports which were lengthy affairs, running well over a hundred pages, containing charts, graphs, copies of correspondence, and descriptions of agency activity in minute detail. There was little need for such a laborious rendition of OPM's yearly performance, and last year the report was dropped altogether.

This year, we've decided to issue a greatly scaled-down report on OPM actions during 1981. The material contained in the pages which follow does not constitute an "annual report" in the traditional sense of the word, and we've avoided using such a label. Rather, it represents a review of the most significant actions of the agency during the first year of the Reagan Administration, a year in which important changes in direction were the rule, and a major rethinking of the fundamental responsibilities and goals of OPM was undertaken.

This "Year In Review" is based upon a report prepared for submission to the Merit Systems Protection Board in order to fulfill a statutory requirement. It is presented here, in a more readable format, to provide the many interested individuals within and outside of the Federal establishment an insight into the operation of OPM in the 1980s.



Donald J. Devine
Director

Managing Government-Wide Reductions in Personnel

One of the major goals of the Reagan Administration is a long-term reduction in Federal employment in non-defense agencies. Overseeing the management of this reduction, to ensure that it is done fairly, according to civil service laws and regulations, and that it is done in the most humane and cost-effective manner, is a major and continuing goal of the Office of Personnel Management.

The New York Times noted recently that last year saw the first reduction in total government employment at all levels since World War II, and only the fourth decline since World War I. The Times noted that this was the result of "a widespread demand for reduction in the size of government," and added that both government officials and public employee union leaders were agreed that "the years of growth (in government employment) are over."

The Reagan Administration has delivered on its promise to reduce overall civilian employment in the Federal government. Federal civilian employment government-wide (excluding the independent U.S. Postal Service) dropped by 52,983 between inauguration day and the end of 1981. The number of full-time permanent employees with permanent appointments, working in non-defense agencies (again excluding USPS), dropped by 43,688 during the same period. Evidence that the Administration has succeeded in its goal of achieving most of the reduction through the most humane way possible, i.e., attrition, can be seen in the fact that during all

of 1981, only 7,041 full-time permanent employees were involuntarily separated. That is, about 90 per cent of the reduction in employment was achieved through attrition. Other Federal employees either found jobs elsewhere through OPM's placement programs or found other jobs on their own, either in the government or in the private sector.

OPM's activities in this area have included the following:

For the first time in 20 years, revised regulations and FPM material relative to reductions-in-force were issued as an integrated package. These regulations and guidance clarify managerial responsibilities and employee rights, as well as resolve a number of ambiguities and possible inconsistencies.

In an FPM Bulletin dated December 4, 1981 (351-32), OPM Director Donald J. Devine described in detail the various tools available to executives and managers when implementing personnel reductions, and operating with reduced resources. Stressing actions enabling reductions through attrition, this document also described responsibilities and rights involved in involuntary personnel actions, including RIFs and furloughs.

In November, 1981, OPM issued revised regulations governing the Displaced Employee Program (DEP). In addition to updating eligibility requirements, methods of referral of displaced employees to vacancies, and other provisions, these regulations require each agency to operate a positive placement program for its own displaced employees. These programs must, at a minimum, include the establishment and maintenance of reemployment priority lists for each agency commuting area. In addition, agencies are encouraged to supplement this minimum requirement with other forms of assistance.

In addition to the Displaced Employee Program, OPM also created a Voluntary Interagency Placement Program (renamed the Interagency Placement Assistance Program in 1982), through which nearly 2,000 Federal employees found jobs, either elsewhere in the Federal government, in State or local government agencies, or in the private sector. Taken together, VIPP and DEP placed 2,340

Federal employees during 1981.

Agency placement efforts, which are established and run according to regulations issued by OPM, have also been successful in placing employees whose jobs have been abolished in vacant slots elsewhere. IN FY 81 alone, agencies reported successful placements for 5,236 employees who were affected by RIF. For the year, more employees were placed than were separated.

Under the rubric of OPM's compliance and evaluation function, agency staff has trained more than 2,200 agency managers, personnel specialists and other employees in the rules and laws which govern reductions-in-force; made 130 on-site visits to evaluate or assist in RIF preparations; began a year-long study of RIFs in 12 agencies at 25 installations around the country; and investiated allegations of improper RIF procedures.

In short, during 1981, OPM played a key role in carrying out the President's commitment to reduce the size of government while seeking to "minimize as much as possible the adverse impact of these reductions on the individuals involved."

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Oversight of Civil Service Rules and Merit Principles

Civil service rules and regulations are the core of the Federal Government's personnel system. OPM's highest priority is, and will continue to be, ensuring that personnel laws are upheld and that effective oversight is maintained over personnel actions taken by Federal departments and agencies. During 1981, the Office of Personnel Management laid the groundwork for a strong and active evaluation and compliance program by redirecting available resources toward greater oversight over agency personnel programs.

On August 27, 1981, OPM Director Donald J. Devine sent a memorandum to the heads of departments and agencies asking for their support in upholding civil service laws, rules, and regulations and encouraging them to strengthen their internal personnel management evaluation programs. He emphasized OPM's strong oversight responsibilities and outlined the four major areas of emphasis of OPM evaluation:

- o prompt compliance when OPM has identified violations of personnel laws, rules, and regulations;
- o position management and position classification accuracy;
- o oversight of basic personnel management systems including special program coverage for performance appraisal, merit pay, delegation agreements, and use of special veterans' appointment authorities (including how agencies are carrying out veterans' programs

generally); and

- o improved use of data sources to identify and analyze personnel management problems.

OPM also completed a totally revised personnel management evaluation handbook to guide evaluators during the 1980's, including comprehensive program review guides for performance appraisal, merit pay, reduction-in-force, and FEORP. Development of the program review guides on position classification, training, and veteran's preference were begun in 1981 and will be published in 1982. This is the first revision of the basic evaluation program guidance since 1973.

On October 1, 1981, Director Devine sent another memorandum to department and agency heads, this time stressing position classification accuracy and position management. This memorandum pointed to recent OPM studies revealing that large numbers of positions are either over or undergraded and drawing attention to the costs and inequities which result. The Director made clear that much more attention would be paid to position classification and position management in the future, including heavier emphasis during evaluations conducted by OPM.

Also in October, 1981, a memorandum was sent to heads of administration in executive departments and agencies on changes in the average grade of General Schedule occupations. This memorandum described changes in the average grade for the period March 1974 - March 1981, and reminded agencies that the Office of Management and Budget requires them to use this report to analyze changes in agency average grades. Agencies were encouraged to use the report to:

- o detect and avoid unwarranted grade escalation;
- o focus on the cost of position classification and position management decisions;
- o measure operational efficiency in conjunction with internal management and budget processes; and
- o identify and correct deficiencies in the operation of the classification system which contribute to improper classification of positions, such as "management pressures" and retention of grades

which can no longer be supported.

An Agency Classification Chiefs' Conference was held on December 1, 1981. Based on the seven principal recommendations resulting from the conference, action is underway on:

- o developing standards of adequacy for position classification programs, and
- o scheduling position classification audits for selected job series on a Government-wide, statistically valid basis. Audits of the Computer Specialist and Clerk-Typist series will be conducted in FY 1983.

Throughout the latter part of 1981, meetings were held between OPM and agency directors of personnel management evaluation programs. These meetings were held to follow through on our August 27, 1981, request to agency and department heads to strengthen agency internal personnel mangement evaluation programs.

The production of classification and qualification standards was stepped up through the introduction of innovative methods and procedures. The new standards, in the factor evaluation system format, reflect recent occupational changes. With the issuance of more up-to-date standards, agencies should be better able to improve the accuracy and consistency of their classification decisions.

OPM also completed a comprehensive review of policy for delegating examining authority. 5 U.S.C. 1104(a)(2) provides "... The Director may not delegate authority for competitive examinations with respect to positions that have requirements which are common to agencies in the Federal Government, other than in exceptional cases in which the interests of economy and efficiency require such delegation and in which such delegation will not weaken the applications of the merit system principles." As a result of our review, we have revised our delegation policy to ensure that agency examining for common occupations is limited to those situations provided for in the law. At the same time, OPM is continuing its policy of giving agencies direct-hire authority for

critical shortage occupations.

In the area of personnel investigations, OPM tightened evaluation efforts and improved quality controls over the suitability program.

The office also tightened the criteria for agencies wishing to grant early retirement to employees affected in major reductions-in-force, in order to assure more judicious and cost-conscious use of the authority.

A concerted effort was made to strengthen enforcement of veterans preference laws by:

- requiring schools participating in the Presidential Management Intern Program to nominate all qualified applicants who are entitled to veterans preference; and
- assuming responsibility for oversight of affirmative action programs for the hiring, placement, and advancement of disabled veterans.

Among the critical budgetary decisions made during 1981 was a move to increase funding and staff for FY 82 personnel management evaluation activities. Both in the central office and in the field, additional staff were assigned to compliance and evaluation functions, despite an overall OPM budget reduction of 16% for FY 1982. In addition, 12 research-oriented case studies were cancelled and the resources redirected to basic personnel management evaluation. As a result of these actions, a substantial increase in oversight activities is anticipated for FY 1982 as compared with FY 1981.

Implementation of Work Appraisal and Performance Improvement Reforms

Central to the concept of personnel management is a coherent method of evaluating and rewarding work. The Civil Service Reform Act instituted a system of performance appraisal to evaluate the work of Federal employees. As early as April 22, 1981, a memorandum to agency heads was sent, reminding them of their responsibility to implement the new appraisal system. Support was gained from the Cabinet to make this a top management priority of the Reagan Administration. Subsequently, OPM's monitoring activity was stepped up, both at headquarters and in the field, to track agency progress closely and to offer assistance.

Examples of the various OPM activities in support of performance appraisal implementation incude:

- reviewing and approving 170 performance appraisal plans from all Federal departments and agencies;
- issuing policy and guidance to agencies on the development and use of appraisal sytems;
- publication of a handbook for supervisors to use in developing and improving elements and standards;
- holding dozens of workshops in agencies on developing and improving elements and standards;
- training thousands of employees on how to develop and use

performance standards for specific positions;

- sponsoring a series of day-long conferences, each of which was attended by more than 150 agency representatives;
- providing copies of more than 40,000 sample performance standards in response to agency requests.

As a result of agency and OPM efforts, the largest postwar personnel management achievement was accomplished by the statutory deadline of October 1, 1981. Performance elements and standards were delivered to over 95 per cent, or 1,711,161 employees. This represents a significant first step for a program of this magnitude. OPM is committed to working with the agencies in 1982 to ensure that they sustain the level of effort shown thus far, and upgrade their systems so that they can serve as important tools to improve the quality of work in Government.

OPM has redirected all of its productivity program activities toward activities, such as performance appraisal and incentive systems, which promise greater efficiency in Government performance. Through selected research, we are collaborating with agencies on individual and group performance-based incentive pay systems and are exploring quality circles. The largest incentive pay system, for managers and supervisors, is the "merit pay" system. All agencies subject to the system (and not specifically exempted by the President) implemented approved merit pay plans effective the first pay period beginning on or after October 1, 1981. During 1981, OPM provided extensive assistance to agencies both through training and direct technical aid. For example, more than 11,000 agency employees were trained in OPM's 2-day intensive course, and each agency pretested its merit pay plan using OPM computer models.

We had hoped, and believed agencies were ready, to have in place during 1981 a full-scale merit pay system. However, a late decision by the Acting Comptroller General reduced the amount of money available for merit pay and caused us to modify the overall system. As a result, merit pay employees who received good ratings received additional, but scaled down, pay increases based on their performance. We now view FY 82 as a transitional year for merit pay, and in that

light, we plan to concentrate our efforts during the year on effecting a change from the old system to a full-fledged new system that puts into place the principle that pay should reflect performance. This approach will help ease the pressures involved for agencies in implementing a new system of this kind and provide another year in which to evaluate agency plans and make any desirable adjustments. This approach will also bring the calculation of merit pay funds into conformity with the requirements set forth by the September 8, 1981, Comptroller General decision.

OPM staff continues to work with agencies as they fine tune their merit pay plans. In addition, OPM has reached agreement with GAO on a merit pay formula for next year that will include the full year's value of within-grade increases. This formula will provide sufficient funds to better recognize performance with pay. We do not anticipate any further problems in implementing a full merit pay system next year, unless there is no pay raise. Successful implementation of a full merit pay system continues to be a top priority for OPM.

Federal executive pay had lagged behind both private sector pay and increases in general schedule government pay. The Administration made alleviation of this situation a top priority. It was finally rewarded when Congress increased the cap on executive pay from $50,112 to $58,500.

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Controlling Spiraling Costs in the Federal Employees Health Benefits Program

A crisis which has been building for years in the Federal Employees Health Benefits (FEHB) Program came to a climax during 1981. The new Administration was quickly faced with a financial situation which threatened Federal employees and retirees with huge and unaffordable increases in premiums, and the government with an enormous cost overrun.

Some aspects of the crisis were common to the health insurance industry generally, but crucial aspects of the problem were unique to the FEHB program alone. Extraordinary inflation in the health care industry has affected every health insurer and health care provider, and helped push projected costs in this program well beyond the yearly increases experienced in the past.

Past management practices in the FEHB program, however, proved to be the major factor in the crisis. During each of the previous three years, the managers of this program had allowed substantial increases in health insurance costs to be absorbed into fund reserves, while premium increases to cover those costs were held to an artificially low level. Reserve margins shrank, and net income to the FEHB Trust Fund dropped from a positive balance of $232 million in FY 1978 to a negative balance of $442 million in FY 1981. A lack of utilization controls led to sharply higher utilization, and thus to higher premiums. And compounding the

problem was a lack of internal control systems within OPM to warn of impending cost overruns of staggering scope.

Early in 1981, OPM sent out a "call letter" to carriers directing them to submit proposals for the 1982 contract year which would provide coverage equivalent to the level provided during 1981. The result was a level of coverage which would have increased cost to the government by $440 million, in addition to the $250 million increase already budgeted. To make matters worse, the average premium increase for employees and retirees, as determined by a statutory formula, would have been 68 per cent. Simply asking for a supplemental appropriation to cover the government's increased cost, itself inappropriate in the present climate, still would have left employees facing huge and unaffordable premium increases.

OPM's response was to negotiate two rounds of benefit reductions with FEHB carriers, which saved taxpayers $120 million and cut the premium increase faced by employees and retirees in half. Although this action was challenged in Federal Court, OPM was ultimately upheld in its actions by the U.S. Court of Appeals. An open season, allowing employees and retirees to change their enrollment, was postponed due to uncertainties created by the litigation. Originally scheduled for November/December 1981, the open season was rescheduled for May, 1982.

In addition, OPM has proceeded to put in place management control systems which will allow more careful control of the FEHB program in the future. It is also expected that the specific benefit reductions negotiated with carriers for the 1982 contract year, including such cost-sharing features as higher deductibles, co-payments, and modified coinsurance rates, will have a significant effect on utilization, and therefore on overall costs. Other administrative measures are contemplated in the future, and legislation may be proposed which would make more fundamental changes in the program.

Improving the Integrity and Efficiency of the Retirement System

Improving the financial integrity and quality of service in the retirement system was a major priority during 1981. Efforts in this area focused on eliminating the Federal retirement case backlog and reducing the drain on the retirement fund caused by unwarranted costs.

During 1981, OPM made great strides in reducing the Federal retirement case backlog to a manageable level. The work on hand was reduced from 100,000 claims in April 1980 to fewer than 40,000 by the end of 1981. This was achieved through improvements in processing methodologies, the hiring and training of new claims adjudicators, overtime, and intense top management attention. The average processing time for retirement claims was reduced from 146 days in early 1980 to 77 days by the end of 1981. The processing time for survivor cases was cut from 200 days to 82 days. In addition, the average age of on-hand cases has been reduced from 104 days to 51 days. Many operations which formerly were done manually are now heavily automated.

Initiatives for 1982 include continued automation of manual processes and continued improvement of processing times for all types of retirement claims. We have reorganized our disability claims function and allocated additional staff resources to this function. The result will be a major reduction in processing time for disability claims decisions. The reversal rate at MSPB of OPM disability

decisions should drop sharply as the new disability claims staff is able to clearly document the rationale for those decisions. Reducing the retirement case backlog and streamlining retirement claims processing continue to be top priorities for OPM.

During the last year, OPM also took a number of specific actions to reduce the drain on the retirement fund caused by unwarranted costs and thus avoid unnecessary increases in the unfunded liability. Among the major actions taken:

1) In March 1981, OPM issued new regulations to implement the change in eligibility for disability retirement contained in P.L. 96-499. This change, which revised the definition of disability from "disabled for position occupied" to "disabled for positions at the same grade or pay level" -- together with continuing attention to proper documentation of applications for disability retirement -- resulted in a reduction in the number of such applications from 25,562 in FY 1980 to 16,891 in FY 1981. The resulting cost savings for FY 1981 was approximately $150 million, while employees were able to return to productive work.

2) An amendment to the Civil Service Retirement law was included in P.L. 97-35, the Omnibus Budget Reconciliation Act of 1981. This amendment reduced the number of cost-of-living adjustments in annuities each year from two to one. Cost-of-living adjustments constitute a large part of the unfunded liability. Therefore, any reduction in these costs represents a lower liability drain on the trust funds available to retirees.

3) A blind statistical match of Internal Revenue Service earnings reports and the Civil Service Retirement disability roll was conducted to determine the accuracy of disability annuitants' reports to OPM of their earnings. The match confirmed that although the vast majority of annuitants report their income accurately, there would be large potential savings to the Retirement Fund if OPM had statutory authority to obtain information to verify individual earnings. OPM is

working to obtain that authority.

4) OPM conducted a statistical match with Office of Workers Compensation Programs records to detect the level of illegal dual payments. Results will be used to justify a full-scale match.

5) OPM conducted a match of Civil Service Retirement active records with Social Security death records. The identification of more than 450 accounts in which the beneficiary is dead resulted in savings of $3.6 million to the Retirement Fund. Results were also used to prepare a profile of high risk accounts that will be used to monitor payments in the future.

6) OPM has informed the Panama Canal Commission that we have revised our calculation of the cost of the liberalized retirement provisions of the Panama Canal Act of 1979 to include dynamic economic assumptions. The original calculation of the cost was based on static economic assumptions, which do not consider the effect of future pay increases or cost-of-living adjustments for annuitants on the cost of the liberalized retirement provisions. We expect this will increase revenue to the retirement system by $1.8 million per year.

7) OPM has informed the U.S. Postal Service that we consider the cost-of-living adjustment granted to bargaining unit employees on November 14, 1981, under the 1981 Postal Service labor-management agreement, to be basic pay for retirement and life insurance purposes. The Director testified before the House Committee on Government Operations on February 10, 1982, concerning this decision, which is based on differences between past and present Postal Service labor-management agreements. These efforts will result in a decrease in costs otherwise to be paid by retirees and taxpayers of $600 million each year.

Efforts to review the Federal retirement system to reduce unfunded

liabilities will continue to be a top priority for OPM. OPM plans a number of specific actions in 1982 to achieve this objective.

The 1983 budget submitted by the Reagan Administration included a proposal to limit cost-of-living adjustments for annuitants to the lesser of the change in the Consumer Price Index or the increase in General Schedule pay in any given year. Also proposed was an omnibus bill that would encompass a number of changes, including the elimination of student-child benefits, the elimination of free service credit for leave without pay, reformulation of the interest rate used in the system, and proration of service credit for part-time service.

Additional statistical and full-scale matches are planned with the Department of Defense, the Veterans Administration, and private industry to detect unreported deaths and ineligible minimum annuity recipients.

OPM plans to evaluate the financial controls for the Trust Fund accounts under its jurisdiction with the goal of strengthening these controls to ensure the integrity of the funds.

Federal Employees' Group Life Insurance

Public Law 96-427, the Federal Employees' Group Life Insurance Act of 1980, required OPM to implement a restructured life insurance program. During the month of March, 1981, OPM held a government-wide open enrollment period. All previous insurance waivers by employees were voided by regulation in order to allow all employees to participate in the program, which for the first time provided large amounts of new optional insurance (up to 5 times salary), optional coverage on family members, extra basic insurance for employees under age 45, and increased amounts of basic coverage for retirees over age 65.

The benefits made available under Public Law 96-427 have tripled the potential liability of the Employees' Life Insurance Fund. A task force has been formed within Compensation Group to recommend methods of improving our life insurance operations in view of this increased liability. The task force will be reviewing methods of preventing fraud and abuse of the program by tightening OPM procedures as well as those of the Office of Federal Employees' Group Life Insurance.

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Protection of Government Employees From Private Lawsuits for Alleged Violations of Constitutional and Other Rights

During 1981, OPM played an active role in activities designed to lead to the amendment of the Federal Tort Claims Act. These activities were aimed at:

1) granting Federal employees personal immunity from liability for Constitutional torts committed within the scope of their employment; and

2) waiving the sovereign immunity of the United States to permit the Government to be named as defendant in lawsuits alleging violation of Constitutional rights by Federal agencies.

OPM's role has included a continuing dialogue with the Department of Justice on legislative proposals to amend the Federal Tort Claims Act. Two bills were introduced during 1981, H.R. 24 and S 1775; and OPM has participated extensively in Congressional committee deliberations related to these proposals. OPM submitted a bill report on H.R. 24 in August, 1981, and in November, 1981, presented testimony before the Subcommittee on Administrative Law and Governmental Relations of the House Committee on the Judiciary.

Amendment of the Federal Tort Claims Act is expected to retain its high priority during 1982. OPM issued a bill report on S. 1775 early in the year, and

offered testimony before the Subcommittee on Agency Administration of the Senate Committee on the Judiciary. OPM briefed Senate Subcommittee staff and expressed its special concerns that, in the face of permanent reductions in government expenditures, the specter of individual liability is a disincentive for Federal officials to make the hard decisions necessary for efficient management of personnel and programs. The Subcommittee staff has asked OPM to submit an expanded statement relative to these concerns.

We foresee that the most significant contribution we can make with respect to the two legislative proposals is to persuade opponents of H.R. 24 and S. 1775 that the Executive agencies can and ought to be responsible for discipline of the work force. It should not be left to private citizens and tort litigation to punish Federal officials who have committed Constitutional violations or to use the threat of lawsuits as a means of deterring the government's agents from violating Constitutional rights.

Reorientation/Reorganization of OPM

Just as the year 1981 saw a fundamental change in the nature, philosophy and direction taken by the Federal government, a similar reorientation was begun in OPM. The resources and organization of the agency were redirected back toward its central mission, that of safeguarding civil service rules, regulations, and merit principles; and effectively managing both its own resources and those for which it has fiduciary responsibility.

In order to focus renewed emphasis upon its basic personnel responsibilities within the context of an overall reduction in agency resources, several OPM programs were curtailed or substantially modified.

The Intergovernmental Personnel Program's annual grant program was abolished, as part of the President's program to return functions to State and local government. This grant program was never intended to be permanent. After ten years of demonstration funding, at a cost of $160 million, it was determined that the size and sophistication of most State and local governments' personnel programs had increased to the point that they could best decide for themselves whether to invest in further personnel system improvements and training.

Steps were taken to reform all statutory merit personnel requirements established as a condition of the receipt of Federal grants-in-aid by State and local

governments. The present standards, like most such requirements, have tended to discourage creativity, innovation, and diversity in personnel administration, and are an example of unnecessary and unwarranted Federal intrusion into State and local government activities. Proposed new regulations will encourage diversity, while promulgating appropriate standards of reference for States and localities.

The activities of the consulting services program were curtailed. Such activities involved providing technical assistance to agencies in such areas as financial management, management information systems, and organizational analysis. The resources thus freed up will be spent in areas more closely related to OPM's basic mission in the area of personnel management assistance.

OPM's nationwide training centers were directed to develop a comprehensive training plan which gives first priority to personnel management, labor relations and supervisory training. In the same area, guidance was issued to agencies on managing training and development programs in a time of fiscal constraint.

A reduction in OPM's agency liaison activity was begun in 1981 and has since been completed. This program was created to help implement the Civil Service Reform Act. Now that the CSRA has been implemented, basic liaison responsibilities have been returned to OPM's operating programs. A small corps of agency officers is being retained as a central contact point for agencies seeking advice and assistance on their personnel programs.

To accommodate the above program changes and, more importantly, to align related functions and resources, OPM was reorganized this past January. The new organizational structure reflects a strengthening of the internal administrative management functions and will emphasize cost-efficient program delivery.

In addition, these program and organizational changes have enabled OPM to provide its essential personnel functions much more efficiently and effectively. OPM has reduced its operating budget by approximately 30 per cent of the original FY 81 budget. Personnel reductions through attrition resulted in a 12 per cent reduction in this category. These reductions are based on the philosophy that while

the Federal government reduces its size, the basic functions of government will be provided by an efficiently operated and organized Office of Personnel Management.